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## INTELLIGENCE REPORT

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1. MALAYSIA

The Malaysian Government may soon turn to the United States for increased military assistance.

As Britain reduces its military commitments in Southeast Asia, Malaysia's need for external help is expected to grow. Malaysian leaders are already expressing dissatisfaction with the levels of British financial aid for their defense forces.

The British recently turned down a Malaysian request for an additional \$210 million in defense and development aid. This apparently had been requested in the form of a five-year loan to correspond with a Malaysian five-year defense plan.

In turning down the request, the British pointed to their own country's weakened economic situation and poor balance-of-payments position. Malaysia's leaders, however, charge that the British are withholding defense aid for political reasons, trying in particular to force Malaysia to come to terms with Singapore on defense and economic matters.

Deputy Prime Minister Razak has told US Ambassador Bell that the other Commonwealth countries are unable to fill the gap left by the British and that Malaysia does not know where to turn for help. He stressed the potentially dangerous situation in Sarawak and the need there for helicopters and other support items.

Razak did not make a specific request for new US aid, but his remarks appear to have been a preliminary feeler for such. Razak will be in the US for the opening of the UN General Assembly session in September and has indicated a desire to see Defense Secretary McNamara at that time.

At present the US is providing limited assistance to Malaysia under two military assistance agreements signed in early 1965. One of these provides some \$200,000 a year in military training. The other made available a \$4-million credit for the purchase of military supplies and services. Malaysia has made little use of the latter agreement, mainly because of the relatively high price of US equipment.

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## 2. INDIA

The Indian Government appears likely to face continuing Communist-inspired demonstrations between now and next February's national elections.

Such efforts do not at this time seriously endanger the fabric of authority or the Congress Party's domination of the organs of government, but the campaign is expected to intensify during the pre-election period.

Indian governments have normally been plagued with popular agitation throughout the summer and early fall. This year, however, has already witnessed food riots in the southern state of Kerala and in West Bengal (including the state capital of Calcutta). In May, moreover, the two factions of the Communist Party of India, the pro-Peking CPI/L and the pro-Moscow CPI/R, together with several associated left-wing parties, organized protest demonstrations over rising prices and increased taxes in India's most populous state, Uttar Pradesh, north and east of New Delhi. On 12 July, a leftist-organized general strike over economic policies in Uttar Pradesh resulted in several deaths and an estimated 2,300 arrests.

Leftist parties have also organized relatively small demonstrations in most large cities against US policy in Vietnam. These protests generally have been orderly so far, but a mammoth rally scheduled for Calcutta on 20 July could get out of hand. Capitalizing on latent anti-Westernism and growing economic discontent, the Communists also seek to tar the Gandhi government with being subservient to Washington.

Moscow, which may be somewhat dissatisfied with certain internal policies of the Gandhi government, has instructed the CPI/R to work closely with other leftist parties in the pre-electoral period. For several months now the Soviets have been encouraging the two factions to merge.

New Delhi has the resources to control the situation and there appears little question but that local authorities are prepared to use all necessary force to maintain or restore order. In some cases, however, the authorities may use either too little or too much force. This would allow left-wing propagandists to make points, possibly with foreign as well as domestic opinion. [REDACTED]

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### 3. CYPRUS

President Makarios may soon bring SA-2 surface-to-air missiles (SAMs) to Cyprus.

In September 1964 the USSR agreed to provide Cyprus with arms, including SAMs. Enough missile-associated equipment to support three SAM sites was transshipped through Egypt in early 1965. The missiles themselves, possibly as many as 150, were also shipped to Egypt but have remained in storage there while Greek Cypriots have been undergoing training in Egypt.

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The Greek Government has asked Makarios not to make any move at this time which might bring on a fresh crisis. Athens controls Cyprus' military affairs through General Grivas, who commands the Greek Cypriot forces, and through other Greek general officers on the island who have up to 10,000 Greek regular troops under their command. Thus Athens can probably exert enough pressure to keep the missiles out at least for the time being. Makarios seems determined, however, to do what he can to wreck the bilateral Greek-Turkish talks now in progress in Vienna; accordingly, he might bring in the missiles despite Greek pressure and the risk of a Turkish reaction.

Ankara is probably aware of Makarios' intention to add the missiles to his arsenal, but has so far shown little concern, possibly because of the relative ineffectiveness of the SA-2 system. However, if the missiles do arrive, Turkey will presume that the Greeks at least tacitly approved, and Greek-Turkish relations, which have recently improved, could again worsen.

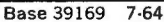
Regardless of Ankara's assessment of SAM capability on Cyprus, the Turks might use the presence of these weapons to justify military intervention. Such action might be seriously considered if the current Greek-Turkish dialogue fails to make progress toward a political settlement.

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4. ECUADOR

Interim President Yerovi, by yielding to demands of provincial interests striking against a revenue measure, has further weakened his shaky government.

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This is the first time Yerovi has capitulated to special interests resisting his financial measures. He submitted in order to end a five-day general strike in Cotopaxi Province. Not only will his prestige and authority suffer but other groups will be encouraged to strike for concessions.

Although Velasco and his followers have not been able to exploit the Cotopaxi strike they remain ready to capitalize on Yerovi's weakness.

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Peruvian plans to celebrate the 25th anniversary of the 1941 border war with Ecuador have incited press and street reaction, which will probably worsen as the 31 July culmination of Peruvian festivities approaches.

Yerovi has gained some stature through his insistence that a constituent assembly be elected in September, and through his casual dismissal of the Velasco threat. He has also been successful in getting a \$10-million US loan. Nevertheless, a rash of strikes coinciding with Velasquista maneuvering and the border affair could prompt him to fulfill his repeated threats to step aside if the going were to become more difficult.

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5. CONGO

The limited progress made by the Mobutu regime since it took over last November is still overshadowed by the massive problems that remain.

The rebellion is now largely confined to rural pockets. The insurrection's decline has enabled Mobutu to devote most of his attention to enhancing his authority inside the country and to improving the Congo's image in Africa.

Mobutu has achieved a small measure of success, but some of his actions seem to reflect a marked departure from his concentration on internal problems and the pro-Western stance he exhibited earlier. Chief among these are his cultivation of African leaders such as Nyerere and Kaunda, his persistent campaign against Belgian pre-eminence in the Congo, and his effort to assume the mantle of the leftist Patrice Lumumba.

The new situation has several implications for the future. Brussels is likely to be increasingly reserved in its aid and less interested in exerting its influence in the Congo. With Belgian influence eroded, Mobutu will be less subject to Western persuasion, and there will be fewer inhibitions on his tendency to act precipitously in politics and economics. Mobutu may soon permit the reopening of the Soviet Embassy in Kinshasa, notwithstanding his intimate knowledge of the clandestine contacts with Congolese dissidents which caused the embassy's closure in January 1964.

Former premier Tshombé is at present attempting to mount a coup with the help of white mercenary troops and apparently some Belgian Union Minière money. Mobutu is aware of their plot and appears to be taking precautions. The plot seems unlikely to be successful.

Fundamentally the Congo has changed little if at all. Regionalism and tribal loyalties pose as much of a hindrance as ever to the development of national consciousness. The economic situation is only gradually improving. Above all, administrative shortcomings, corruption, and the critical shortage of adequate human resources are almost as prevalent as ever.

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